

DRINKING WATER

REVOLVING LOAN FUND

A PROGRAM OF THE DEPARTMENT OF HEALTH AND HOSPITALS

LOUISIANA

INTENDED USE PLAN

FEDERAL FISCAL YEAR
2009 CAPITALIZATION GRANT ALLOTMENT
STATE FISCAL YEAR 2010

January 2010

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I. INTRODUCTION

A. State of Louisiana's Drinking Water Revolving Loan Fund

In 1996, Congress passed federal amendments to the Safe Drinking Water Act (SDWA) establishing the Drinking Water State Revolving Fund (DWSRF) program. The State of Louisiana is eligible for an \$11,540,000 grant for federal fiscal year (FFY) 2009.

This document is the State of Louisiana's Intended Use Plan (IUP) detailing how the State will utilize this allotment of funds available to its Drinking Water Revolving Loan Fund (DWRLF) Program as authorized under the Drinking Water Revolving Loan Fund Act (R.S. 40:2821 et seq). The IUP must describe the use of a state's

capitalization grant, state match funds, principal and interest from loan repayments, other interest earnings of the DWRLF, bond proceeds, funds designated for set-aside activities, and any other monies deposited into the DWRLF.

Our IUP is the central component of our DWRLF grant application and communicates our plans to stakeholders who include: public water systems, the public, EPA, and other state departments. This IUP provides specific details on key aspects of the program including our state's short- and long-term goals, the priority setting process we use to rank projects and the list of projects eligible to receive funding from available DWRLF funding.

B. Program Overview

This IUP provides details on our plans for all funds available in the DWRLF. This plan is based on receiving a capitalization grant award totaling \$11,540,000 from EPA. This IUP also addresses the use of our required 20% state match of \$2,308,000. We have established the following primary objectives for the DWRLF:



- Provide technical and financial assistance to eligible public water systems confronted with the most serious drinking water public health risks.
- Ensure that the assistance provided will help systems come into or maintain compliance with the SDWA.
- Operate the DWRLF as a permanent funding program to provide low-cost assistance to eligible systems into the foreseeable future.

To meet these objectives we will offer low-interest loans and other forms of financial aid, as described throughout this IUP. of this document, to public water systems for the construction of facilities that will provide affordable, safe drinking water to the public. We also intend to use part of the federal capitalization grant as "set-aside" funding, to address other non-infrastructure activities which have public health benefits and assist in compliance with the SDWA. The major facets of the DWRLF program are summarized below.

Low-Interest Loans

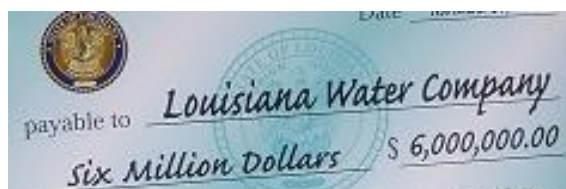
We will provide low-interest loans to public water systems in the order of priority determined by the DWRLF Project Priority System. The total funding available for loans from the FFY09 grant is \$11,948,000. (This includes \$11,540,000 Federal dollars minus \$1,900,000 for set asides leaving \$9,640,000 for loans plus \$2,308,000 State match) The DWRLF finance charge and administrative charge on loans for eligible projects is set by the Secretary of LDHH and results in below-market rate loans. The rates will be reviewed periodically by the DWRLF staff and if an adjustment is deemed appropriate, will be requested from the Secretary of LDHH. The DWRLF staff members are in contact with the responsible parties of water systems on a continual basis. They question them about the market rates that are available to them. Their responses have ranged from 4% to 12% with variables such as credit worthiness, corporate structure, size, existing debt, etc. as the reasons for the variations. DWRLF staff members also attend the monthly bond commission meetings at the state legislature to glean the market rates of bond issuances for similar type projects. And

finally, the DWRLF is contracted with bond attorneys who advise them as to the current market rates and make recommendations therein. As a result, the rates are reviewed monthly by the staff and the date of the last review was March 2009. Loans are made for up to 100% of the eligible costs with long-term financing of up to twenty years.



Emergency Projects

We will provide financial aid to public water systems which qualify for the “emergency assistance”. This financial aid can be in the forms described in section IV.C and will be negotiated at the time of the approval of the project by the DHH. The DWRLF terms for the financial aid provided to emergency projects will be approved by the Assistant Secretary of OPH-LDHH.



Disadvantaged Community System Assistance

The maximum funding available for this type of financial aid will be \$3,462,000 or 30% of \$11,540,000. To the extent that there is not adequate demand for the full 30%, monies not used for the disadvantaged community system assistance may be made available to eligible applicants on the Comprehensive/Fundable list in accordance with procedures in section VI.C of this document. The DWRLF finance charge and administrative charge on loans for these projects is negotiated individually and approved by the Assistant Secretary of LDHH.

Refinancing

Louisiana may buy or refinance local debt obligations of municipal, intermunicipal, or interstate agencies where the debt obligation was incurred and the project was initiated after July 1, 1993. Projects must have met the eligibility requirements under section 1452 of the Act and 40 CFR Part 35.3523 to be eligible for refinancing. Privately owned systems are not eligible for refinancing. To date the DWRLF has refinanced one loan (Town of Slaughter) in the amount of \$1,355,000.



Set-Asides

The SDWA allows states to use part of the federal capitalization grant to support various drinking water programs commonly known as set-asides. Louisiana proposes to use \$1,615,600 of this grant and use \$284,400 of unspecified funds from prior grants to pay for set-aside activities for a total of \$1,900,000 (16.46% of FFY 09 Capitalization Grant) to help ensure compliance with the SDWA regulations and to address public health priorities. Set-aside funded activities will include the following:

- ◆ DWRLF program administration
- ◆ Technical assistance to small systems
- ◆ Implementation of the state's capacity development strategy
- ◆ Strengthen and enhance the administering of the Public Water Supply Supervision (PWSS) program
- ◆ Assist OPH with implementing an operator certification program

- ◆ Assistance to individual systems in capacity development

Transfer Process

CFR Part 35.3530 (c) (6) states that Funds may not be transferred [between the Clean Water Revolving Loan Fund Program and the Drinking Water Revolving Loan Fund Program] or reserved after September 30, 2001. However, this date has been extended each year with each new appropriation bill. To date, Louisiana has not had the need to transfer funds between the programs.

Cross-Collateralization Process

The State of Louisiana has not used fund assets for either the Clean Water or Drinking Water programs as security for bond issues to enhance the lending capacity of either program. Consequently, no cross-collateralization process exists.

C. Public Input, Review and Comment Procedures

To ensure that the public had an opportunity to review our proposed plans for the DWRLF, the draft IUP was made available 30 days prior to the public hearing held on TBD, 2009.

The written notice placed in the Baton Rouge Advocate on TBD stated that the Louisiana Department of Health and Hospitals, Office of Public Health was applying for the Federal Fiscal Year 2009 allotment of the US EPA Drinking Water State Revolving Loan capitalization grant fund for its Drinking Water Revolving Loan Fund Program.

We welcomed input on all elements of the IUP at the public meeting. The meeting is designed to provide a forum for discussing the overall purpose, format, and content of the IUP including the amount of the grants and the state match required the priority system used to rank individual projects, and the proposed list of projects to receive funding from FFY09 funds. A comment period remained open during the 30 days prior meeting. No issues were raised at the public hearing or in writing during the comment period. A summary of the results of these public participation activities is included in Attachment 3.

II. DWRLF LONG-TERM and SHORT TERM GOALS

In establishing the national Drinking Water State Revolving Fund program, Congress gave Louisiana and other states the flexibility to design a program that can be tailored to meet the needs of local public water systems. The long-and short-term goals developed for the DWRLF are presented next.



A. Long-Term Goals

1. Assist water systems throughout the State in achieving and maintaining the health and compliance objectives of the Safe Drinking Water Act by providing below-market rate loans to fund infrastructure needs in a prioritized manner.
2. Promote the efficient use of all funds, and ensure that the Fund corpus is available in perpetuity for providing financial assistance to public water systems.
3. Use the DWRLF set-aside funds strategically and in coordination with the program loans to maximize the DWRLF loan account's impact on achieving affordable compliance and public health protection.

4. Promote the development of the technical, managerial, and financial capability of all public water systems to maintain or come into compliance with state drinking water and federal SDWA requirements.
5. Provide needed investment in green and energy efficient technology
6. Make the water systems throughout the state more water efficient to ensure the continued availability of sufficient quantities of safe drinking water for future generations of the state.
7. Invest in infrastructure that will provide long term economic and environmental benefits to public water systems.

B. Short-Term Goals

1. It is anticipated that approximately 17 binding commitments will be entered into by the end of State fiscal year (SFY) 2010.
2. Louisiana hopes to close 17 loans totaling approximately \$83,000,000 during SFY 2010. The population total for these projects is approximately 465,000.
3. Louisiana intends to increase our fund utilization rate to 85%.
4. To provide at least 15% of the available DWRLF loan funds in SFY 2010 to assist public water systems which regularly serve fewer than 10,000 persons to the extent that there are sufficient projects eligible and ready to receive such assistance.
5. To promote the benefits of the program to as many water systems as possible to assure equitable distribution of available financing resources.
6. Apply for FFY10 capitalization grant before the close of state fiscal year 2010.
7. To provide expedited financial aid to those systems qualifying as emergency projects or disadvantaged community systems.
8. In conjunction with Synergy Marketing, Inc. continue to craft and implement an extensive marketing campaign for the program.
9. Enter into a consulting contract with the financial services firm of PFM to develop a framework for leveraging the DWRLF because of the pending increase in demand for program monies.
10. Continue to work on building a partnership with USDA by jointly funding projects to assist public water systems.
11. Continue to maximize ARRA dollars in conjunction with base DWRLF funds to assist as many public water systems across the state.
12. Continue to preserve and create jobs to promote economic recovery thru ARRA funds in conjunction with base DWRLF funds.

III. STRUCTURE OF THE DWRLF

The DWRLF consists of three accounts that will be used to provide assistance to accomplish its goals.

A. DWRLF Loan Fund Account

This account will provide assistance for the planning, design, and construction of improvements to publicly and privately owned community water systems and nonprofit, non-community water systems. Federally owned facilities are not eligible for funding. This account will consist of all federal funds used for infrastructure loan assistance, all state match funds transferred in, bond proceeds, loan repayments, and interest earnings of the Fund. The types of projects that can be funded under the loan account include the following:

- ◆ Construction or upgrade of treatment facilities
- ◆ Replacement of contaminated sources with new ground water sources
- ◆ Installation or upgrade of disinfection facilities
- ◆ Restructuring or acquisition and interconnection of systems to address technical, financial, and managerial capacity issues Planning and engineering associated with eligible projects
- ◆ Replacement of aging infrastructure
- ◆ Transmission lines and finished water storage
- ◆ Distribution system replacement/rehabilitation
- ◆ Acquisition of land that is integral to an SRF eligible project
- ◆ Refinancing eligible projects where debt was incurred after July 1, 1993
- ◆ Other projects necessary to address compliance and enforcement issues



Limitations of the DWRLF Loan Fund Account

The SDWA allows states to buy or refinance debt obligations of municipal, intermunicipal, or interstate agencies where the debt obligation was incurred and the project was initiated after July 1, 1993. We will only consider these applications after all projects addressing public health protection and compliance have been considered. Funds in the loan fund account will be invested in interest bearing accounts; however, funds will not remain in the account primarily to earn interest.

The federal DWRLF rules and regulations (CFR 40:35.3520) specifically lists the following projects that cannot be funded through the DWRLF:

- ◆ Dams, or rehabilitation of dams
- ◆ Water rights, except if the water rights are owned by a system that is

being purchased through consolidation as a part of a capacity development strategy

- ◆ Reservoirs, except finished water reservoirs and those reservoirs that are part of the treatment process and are on the property where the treatment facility is located
- ◆ Laboratory fees for monitoring
- ◆ Operation and maintenance expenses
- ◆ Projects needed primarily for fire protection
- ◆ Projects for systems that lack adequate technical, financial, and managerial capacity, unless assistance will ensure compliance
- ◆ Projects for systems in significant noncompliance, unless funding will ensure compliance
- ◆ Projects primarily intended to serve future growth

B. DWRLF Set-Aside Account

This account will provide assistance for set-aside activities funded through the DWRLF. The types of projects to be funded by the DWRLF set-aside account include, for example, technical assistance to small systems, enhancement of the Administration of the Public Water Supply Supervision (PWSS) Program, implementation of the capacity development program, and enhancement of the operator certification program. A complete description of set-aside activities is provided in Section V.

Each set-aside activity will have a separate sub-account that will be tracked separately in the state accounting and financial reporting system. Sub-account reports will provide expenditures to date for tracking purposes and will be a source of reporting for the DWRLF annual report required

by the SDWA. Sub-accounts have been established for the following set-asides:

- ◆ *Small system technical assistance*—for assistance to small systems through state personnel or agreements with third party assistance providers.
- ◆ *State Program Management*—for PWSS program support, capacity development strategy implementation, and operator certification program support
- ◆ *Administration*—for reasonable costs of administering the DWSRF program
- ◆ *Local Assistance and other state programs*—for providing assistance, including technical and financial assistance, to public water systems as part of a capacity development strategy.

C. DWRLF Administrative Fee Fund Account

Fund resources from this account will be used to support the state operation and management of the DWRLF. This account will hold the 0.5% fee

charged on the outstanding loan balances collected by the State of Louisiana from applicants. Funds in this account will be used to ensure the long-term operation and administration of the program

IV. FINANCIAL STATUS OF THE DWRLF

This section reports on all sources of funding available to the DWRLF program and indicates their intended uses. This section also describes the financial assistance terms available through the program.



A. Sources and Uses of Funds

The total amount of funds in the DWRLF available and the intended allocation to each activity is presented in Attachment 2-Sources & Uses of Funds. It reflects the allotment of funds from the federal capitalization grant for FFY09 to the state of Louisiana and identifies Louisiana's total funding sources. \$231,287,209 in cumulative resources is estimated to be available to the State of Louisiana's DWRLF in SFY10, including capitalization grants for FFY 97 through FFY09, ARRA funds, loan repayments, and state matching funds. The interest earnings on outstanding loans and investments are utilized to retire bonds issued for purpose of retiring bonds for state match. Of the cumulative available resources, \$18,484,608 (as amended) has been specified for set-aside activities and

\$100,748,552 has been loaned to water systems. The result is \$99,554,049 available for new loans.

Appendix B demonstrates how the State of Louisiana will absorb these available funds. It depicts projects which are working through the loan process toward closing a loan.

FFY 09 Capitalization Grant breakdown is as follows:

| | |
|--------------------------------------|---------------------|
| Capitalization Grant | \$11,540,000 |
| 20% State Match | <u>\$ 2,308,000</u> |
| Total Funds | \$13,848,000 |
| Set-Asides (Specified) | \$1,900,000 |
| Total Funds for financial assistance | <u>\$11,948,000</u> |

The EPA Administrator, or his duly authorized representative, and the State of Louisiana shall jointly establish a schedule of payments under which the EPA Administrator, or his duly authorized representative, will pay to the State of Louisiana the amount of each grant to be made to the State. This payment schedule is based on Louisiana's projection of binding commitments and use of set-aside funds as stated in this IUP. States must take all payments

within the earlier of 8 quarters after grant award or 12 quarters of the allotment.

Louisiana reserves the right to request grant payment amounts on an accelerated basis; however, the total grant payment amounts will not exceed the amounts shown in the following schedule unless the following grant payment schedule is amended in accordance with EPA regulations.

The FFY 09 Capitalization Grant Payment Schedule is as follows:

| <i>Federal Fiscal Year Quarter</i> | <i>Grant Payment Amount</i> |
|---|------------------------------------|
| Fourth Quarter 2009 | \$1,442,500 |
| First Quarter 2010 | \$1,442,500 |
| Second Quarter 2010 | \$1,442,500 |
| Third Quarter 2010 | \$1,442,500 |
| Fourth Quarter 2010 | \$1,442,500 |
| First Quarter 2011 | \$1,442,500 |
| Second Quarter 2011 | \$1,442,500 |
| Third Quarter 2011 | \$1,442,500 |

B. Financial Terms of Loans

The SDWA allows states to charge interest rates ranging from 0 percent to the market rate for DWRLF loans. The secretary of LDHH sets the interest rate for the DWRLF. The interest rate has been set at 2.95% with the ability to raise it or lower it as the market dictates. An administrative fee of 0.5% of the outstanding balance is charged on all loans.

The DWRLF provides interim construction financing to eligible recipients. Loan proceeds are disbursed to the recipient periodically as project expenses are incurred and after corresponding invoices are approved by LDHH. During the construction of the project, interest and administrative fees are due every six months. Once the project is complete, the loan is written down to the actual amount needed for the project and a final amortization schedule is

provided for the recipient. Interest and administrative fees are due every six months for the life of the loan. Principal payments are due

annually for the life of the loan, not to exceed twenty years.

C. Financial Terms for Emergency and Disadvantaged Community System Financial Aid

Definitions:

Emergency Project:

An emergency project is one which is necessary to avoid or correct an imminent threat to public health as a result of a hurricane or other catastrophic event or casualty loss. This determination will be made by the Louisiana DHH utilizing standardized measures and readily available data such as:



Maps, aerial photographs, etc. depicting the catastrophic event or the casualty loss

Evidence that the system is or will be in violation of the SDWA or LAC 51:XII as a result of a hurricane or other catastrophic event or casualty loss. (standardized measure)

Evidence of an imminent threat to public health as declared by the State Health Office as a result of a hurricane or other catastrophic event or casualty loss.

State and/or Federal governmental documentation including but not limited to: declarations, executive orders, economic indicators, etc.

The construction of the project must be ready to proceed within 30 days of the signing of the loan commitment and must be completed in a timely manner in accordance with the construction schedule approved as a condition of the loan.

Pre award costs may be reimbursed with loan proceeds to the extent that such costs would be eligible for reimbursement from tax exempt bond proceeds under Reg. 1.150-2. (i.e., expense incurred by the system after the date of an official resolution or ordinance authorizing the loan.)

Disadvantaged community system

A disadvantaged community system is one which is experiencing or expects to experience fiscal stress as measured by its financial condition and competing

demands for capital and operating expenditures, as a direct or indirect result of a hurricane or other catastrophic event or casualty loss, as determined by the Assistant Secretary of DHH.

Terms:

Financial aid provided for either emergency projects or disadvantaged community systems may be in the form of one or more or combination of the following forms:

Longer loan term – Louisiana may extend the loan term from 20 to 30 years after the date of project completion, provided that the repayment period does not exceed the design life of the project.

Loan interest may be reduced up to 75% of the currently effective DWRLF loan rate.

Principal forgiveness – DHH may offer partial principal forgiveness to those systems that truly need this form of assistance to maintain affordable rates and financial capacity. The long-term impact of the fund must be considered prior to finalizing financial aid involving principal forgiveness.

D. Financial Terms for Refinancing Local Debt

Debt obligations of municipal, intermunicipal, or interstate agencies where the debt obligation was incurred and the project was initiated after July 1, 1993 may be refinanced by the DWRLF. The

terms of the loans made to refinance debt will be the same as those of other loans made by the DWRLF as stipulated in section IV.B of this IUP.

E. American Recovery and Reinvestment Act (ARRA) of 2009

The State of Louisiana is applying for an ARRA capitalization grant in the amount of \$27,626,000. This represents the amount that USEPA Region 6 informed the State is eligible to receive under the State's allocation from the supplemental appropriation enacted under the ARRA. Note that the ARRA has waived the State match that the State is normally required to provide in order to



receive a capitalization grant. The State intends to take a set-aside of 1.14% for ARRA program administration. The total amount of ARRA funds available to the DWRLF and the intended

allocation to each activity is presented in the following table.

| SOURCES | Amount |
|--|--------------|
| Capitalization Grant | \$27,626,000 |
| USES | Amount |
| 1.14% out of allowed 4% DWSRF Program Administration (specified) | \$315,000 |
| Infrastructure Assistance Agreements | \$27,311,000 |

V. SET-ASIDE ACTIVITIES

The SDWA allows each state to set-aside up to 31% of its federal capitalization grant to support various drinking water programs including administration, technical assistance, state program management, and special activities. The State of Louisiana is specifying \$1,615,600 of this grant to fund set-aside activities and using \$284,400 of previously unspecified funds from prior grant years to fund set-aside activities for a total of \$1,900,000 (16.46% of FFY09 Capitalization Grant) (Attachment 1). We will continue to operate under the existing detailed work plans and submit new ones this year to fund

these activities which are further described in the next sections. Attachment 5 depicts those set-asides previously specified and those spent to date. We will report the progress of the set-aside activities to EPA in the annual report. There is \$230,800 in new unspecified funds from the FFY09 grant. We will retain the ability to take these and previously unspecified monies from a future capitalization grant to fund set-aside activities in the future. We will transfer any set-aside funding that is unused back to the DWRLF loan fund account.

A. DWRLF Administrative Expenses (SDWA reference - 1452(g)(2), Max allowed: 4%; up to \$461,600 of FFY09 grant)

The loan program is administered by the Louisiana Department of Health and Hospitals—Office of Public Health (DHH-OPH). The administration set-aside will be used to pay salaries and associated expenses of new and existing personnel of DHH-OPH devoting time to the administration of the program. Administration

set-aside funds can also be used to procure supplies and training necessary for the adequate performance of the staff.

The State reserves \$461,600 (4.0% of \$11,540,000) from the FFY09 cap grant to fund the administration set-aside. Louisiana specifies

\$461,600 of the FFY09 cap grant for this set-aside. In addition, the State reclaims \$138,400 of previously unspecified dollars, to specify a total of \$600,000 for administrative activities. The cumulative remaining balance of unspecified funds of \$2,492,809 will be retained to take from

a future capitalization grant to fund administrative activities in future years. (Attachment 1) The expenses associated with this set-aside for SFY '09 will be funded from this capitalization grant and any unexpended funds from previous years.

B. Small System Technical

Assistance (SDWA reference - 1452(g) (2), Max allowed: 2%; up to \$230,800 of FFY09 grant)



These funds will be used to accomplish the goal of providing technical assistance to public water supplies serving fewer than 10,000 people. Louisiana uses this set-aside to fund personnel and assistance providers. Personnel and the contracted assistance providers provide specific activities such as the following:

- ◆ Assisting small systems in meeting SDWA compliance: The State of Louisiana's major SDWA compliance problem is bacteriological maximum contaminant level (MCL) violations occurring in small PWSs under the Total Coliform Rule. Louisiana is addressing

the prevention of bacteriological MCL violations in two ways: (1) holding quarterly Safe Drinking Water Compliance Training Schools and (2) conducting on-site visits with the owners/operators of systems experiencing compliance problems.

- ◆ Review of source water problems and drinking water needs; identification and evaluation of technical options.
- ◆ Assisting small systems in preparing the applications for DWRLF assistance.
- ◆ Assisting small systems in complying with all cross cutting requirements of the DWRLF and other state requirements.
- ◆ Assisting small systems with locating and procuring sources of funding in addition to the DWRLF to meet their needs at the lowest possible cost.

The State reserves \$230,800 (2.0% of \$11,540,000) from the FFY09 cap grant to fund the small system technical assistance set-aside. Louisiana specifies \$0 of the FFY09 cap grant for this set-aside and classifies the entire \$230,800 as unspecified. The cumulative remaining balance of unspecified funds of \$1,533,990 will be retained to take from a future capitalization grant to fund small system technical assistance activities in future years. (Attachment 1) The expenses associated with this set-aside for SFY '09 will be funded from any unexpended funds from previous years.

C. State Program Management
(SDWA reference - 1452(g)(2), Max
allowed: 10%; up to \$1,154,000 of
FFY09 grant)

These funds will be used to enhance the State's administration of its Public Water Supply Supervision (PWSS) program outlined by the SDWA, to implement the capacity development strategy, and to implement an operator certification program.

This set-aside requires a one to one state match beyond the 20 percent state match for federal capitalization grants. However, credit is given for the match and over-match funding provided by the state for the PWSS grant in SFY1993 and for the state over-match in the SFY09 PWSS funding. The calculation of this requirement is shown below:

| | <u>FFY1993</u> | <u>FFY2009</u> |
|---|----------------|----------------|
| PWSS Grant | \$1,275,332 | \$1,324,000 |
| 25% State Match Req. | 318,833 | 331,000 |
| State Match Provided | 2,697,959 | 500,000 |
| State Overmatch | 2,379,126 | 169,000 |
| DWSRF Grant | | \$11,540,000 |
| 10% Set Aside Allowed (State Program Management) | | 1,540,090 |
| 1:1 State Match Required for Set Aside | | 1,540,000 |
| 1:1 State Match Required for 2009 DWSRF Set-Aside | | \$1,540,000 |
| FFY2009 PWSS Overmatch | | 169,000 |
| FFY1993 PWSS Match & Overmatch | | \$ 1,371,000 |

As described below the State is reserving the full 10% of the 2009 Capitalization Grant for the state program management set-aside.

The State reserves \$1,154,000 (10% of \$11,540,000) from the FFY09 cap grant to fund the state program management set-aside. Louisiana specifies \$1,154,000 from this grant and reclaims \$146,000 of previously unspecified

dollars for a total of \$1,300,000 (11.26% of \$11,540,000) to fund these activities. The cumulative unspecified funds of \$6,709,506 will be retained to take from a future capitalization grant to fund state program activities in future years. (Attachment 1) The expenses associated with this set-aside for SFY '09 will be funded from this capitalization grant and any unexpended funds from previous years.

| Sub-Category of State Programs Set-Aside | Amount Budgeted |
|---|------------------------|
| Public Water Supply Supervision | \$520,000 |
| Capacity Development | \$555,000 |
| Operator Certification | \$225,000 |
| Total Specified Set-Aside Funds | \$1,300,000 |

PWSS Program

Louisiana will use the state program management set-aside funds from previous grants to support PWSS activities. This activity provides funding to accomplish augmentation of the PWSS Grant for administration of the PWSS program activities. We will enhance the data management and reporting capabilities of the PWSS program by funding three staff positions. These positions are the Geologist position, the Data Management position, and the Enforcement position. The Geologist acts as the consultant for DHH for ground water source, quality, and availability. He/she is responsible for

coordinating and implementing the statewide GIS project and acting as liaison with other state agencies, committees, and commissions for all matters related to ground water. The data management position is responsible for the maintenance of the SDWIS program in Louisiana as well as coordinating the UCMR program. The enforcement position assists with all enforcement activities currently being conducted. The set-aside funds will also pay for some new equipment for the instrumentation used in the Mississippi River Early Warning Organic Chemical Detection System.

Capacity Development Program

Louisiana will, use a portion of the State Program Management set-aside funds from previous grants to fund its capacity development program. Staff positions and outside contractors will be funded to provide public water systems with the tools and financial assistance they need to obtain and maintain the technical, financial, and managerial capacity needed to ensure a supply of safe drinking water for Louisiana citizens. The goal of the program is to identify the technical,

financial, and managerial impediments confronted by water systems in their efforts to provide safe and sustainable drinking water. After identifying the impediments we will be able to more appropriately determine and accomplish solutions to capacity problems. Such solutions could include technical or financial assistance or encouragement of consolidation, collaboration, regionalization, and contract operations and maintenance cooperatives.

Operator Certification Program

Louisiana will use the state program management set-aside funds to support its operator certification program. A temporary staff position (3 year assignment) will be funded to assist the Training Officer in preparing,

administering, and grading certification exams. The set-asides funds will also pay for InfiniEdge software to enhance the operator certification database.



D. Local Assistance and Other State Programs (SDWA reference - 1452(g)(2),
Max allowed: 10% for any one activity; up to \$1,154,000 of FFY09 grant)

Louisiana will not use any set-aside funds as shown in Attachment 5 to provide assistance, including technical, managerial, and financial assistance, to public water systems as part of its

capacity development strategy in SFY '10. Louisiana will use \$0 of these set-aside funds from the FFY09 grant.

VI. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

A. Distribution of Funds

The SDWA provides each state with flexibility to determine how much of their grant should be used for infrastructure loans, disadvantaged assistance, and set-aside activities. However, with this flexibility comes responsibility to determine how to best direct funds to address the problems in our state. We believe it is critical to evaluate and understand the impact of our decisions in order to ensure that assistance will be available in the future. There is a direct relationship between set-aside funding and the long-term loan capacity of the DWRLF. This impact is significant and might suggest that we should limit our set-aside use. After consultation with the stakeholders, we determined to use 16.46 percent of the FFY09 funds for set-aside activities. Many of the activities conducted under the set-asides can have a direct impact on preventing future problems in the public water systems. Ensuring that operators are properly trained and enhancing the technical, financial

and managerial capacity of small water systems can also reduce the need for costly infrastructure improvements. We will reevaluate our use of set-asides on an annual basis as we develop the IUP to determine whether set-asides levels should be reduced or increased in the future.

Section 1452 authorizes the establishment of a drinking water revolving loan fund to provide financial assistance to eligible water systems. Not including ARRA grant funds, the base Federal allotment for FFY09, including the state match, is \$13,848,000. Louisiana reserved 16% or \$1,846,400 of the grant for set-aside activities, specified \$1,615,600 and reclaimed \$284,400 from previously unspecified set-asides, resulting in \$1,900,000 specified for the set-aside activities described previously. This results in \$11,948,000 available for loans through the drinking water revolving loan fund program, for this funding cycle.

B. Capacity Assessment 1452 (a) (3) (A)

The SDWA requires that a public water system applying for a DWRLF loan must show that it has the technical, financial, and managerial capacity to ensure compliance. If a system does not have adequate capacity, assistance may only be provided if it will help the system to achieve

capacity. The goal of this requirement is to ensure that DWRLF assistance is not used to create or support non-viable systems. The Business Plan and the System Improvement Plan are completed as part of the DWRLF loan application process.

Technical Capacity

To demonstrate technical capacity, DWRLF loan applicants must show that drinking water sources are adequate, that the system's source, treatment, distribution and storage infrastructure are adequate and that personnel have the technical knowledge to efficiently operate and maintain the system. As part of reviewing a loan applicant's System Improvement Plan, Louisiana reviews the system's records to assure that the system is being properly operated and maintained. The water system must not have outstanding water compliance problems unless the DWRLF project is intended to correct those problems. The engineering reports, plans, and specifications for the proposed DWRLF-funded project and the system's System Improvement Plan will all be evaluated during the loan

application process for technical capacity compliance.



Financial Capacity

To demonstrate financial capacity, the applicant must show that the system has sufficient and dedicated revenues to cover necessary costs and demonstrate credit worthiness and adequate fiscal controls. Louisiana reviews the applicant's

business plan, which includes 5-year projections, the project budget, the three (3) most recent annual financial reports, and/or audits, and other financial information to ensure adequate financial capacity of the applicant.

Managerial Capacity

To demonstrate managerial capacity, the water system must have personnel with expertise to manage the entire water system operation. Louisiana reviews the applicant's managerial capacity via the Business Plan and supporting documentation to assure that management is involved in the day to day supervision of the water system, is responsive to all required regulations, is available to respond to

emergencies, and is capable of identifying and addressing all necessary capital improvements and assuring financial viability. The water system must have a qualified water operator in accordance with the state's operator certification program. The management personnel of the water system are strongly encouraged to attend a state approved 4-hour management training session.

Long-Term Capacity

Louisiana will assess whether each water system has a long-term plan to undertake feasible and appropriate changes in operations necessary to develop adequate capacity. In making these assessments, Louisiana will consult with local public health units and review any available Water Resource Management Strategies,



Comprehensive Studies, the Drinking Water Needs Survey and other available engineering reports in an effort to improve the overall capacity of systems requesting assistance. Louisiana will encourage consolidation efforts when two or more systems can benefit and also encourage other options, such as contract management or partnerships with other communities in their area. The priority-ranking criterion provides additional points to encourage this objective.

C. Establishing Project Priority

The Project Priority System developed and utilized by Louisiana meets the requirements of the SDWA (Attachment 4). Projects will be ranked against all other projects competing for funds. Single projects will be limited to a total of 30% of the capitalization grants available unless

adequate projects are not available to commit all available funds. The LDHH may waive this maximum amount depending upon the number of applications. The principal elements addressed by the project priority system are:

- ◆ Elimination of adverse public health effects
- ◆ Unacceptable/undesirable physical conditions
- ◆ Environmental criteria
- ◆ Affordability criteria

The first step in developing the Comprehensive Project Priority List is a determination of project eligibility. Systems eligible for assistance are community water systems, both publicly and privately owned and non-profit non-community water systems. Once projects are determined to be eligible, they will be rated in six (6) categories to determine their project priority ranking for funding under the DWRLF. These specific categories are:

- ◆ *Compliance History* - This is evaluated by reviewing the SDWA MCL violations assessed in the last eight (8) quarterly reports

- ◆ *System Consolidation* - This area examines the population that is proposed to be absorbed into the subject system from other public water systems.

- ◆ *Affordability* - If the service area lies within a census tract where the Median Household Income is 25% or more below the State average the system is awarded priority points.

- ◆ *Other Considerations* - Additional priority points (or penalty points) may be awarded (or subtracted) for a variety of other factors. They are:

- Additional points if the proposal represents part of a new multi-year, multi-phase project or a project that has received prior DWRLF funding and is a loan in good standing.
 - Additional points if the project has also secured a partial project funding commitment from another source (e.g., Rural Development Grant, a grant and/or loan from the Rural Utilities Service, Community Development Block Grant, etc.)
 - The system's priority rating may be reduced by points if the
 - ◆ *Sanitary Code Violations* - priority points may be awarded to the system for violations of each of the Sanitary Code
 - proposals that address problems which could be resolved by normal repair and maintenance.
 - The system's priority rating may also be reduced by points if the proposal includes work that is not necessary to address the stated public health problem.
 - ◆ *Physical Conditions* - Priority points will be awarded for certain specific, existing physical conditions **IF** the proposal would correct the identified condition.
- sections, which would be, corrected by/under the proposal.

Amendments to the Project Priority System will be considered, as appropriate, to reflect the changing character of the program.

Projects are identified through a solicitation of all eligible water systems. Once the systems have

submitted pre-applications, the projects are rated. They are ranked based on assigned priority points and two lists are compiled. Those two lists are referred to as the Comprehensive Priority List and the Fundable List. These lists are as follows:

1. The Comprehensive Priority List includes all the public water systems, which have submitted a completed DWRLF Pre-Application Form, letter of intent, resolution, and the Louisiana DWRLF Project Priority Worksheet by the appropriate deadline date. The proposed projects are listed and ranked on this list in priority order based upon the priority ranking system. (Appendix A)
2. The Fundable List is a subset of the Comprehensive Priority List. The Fundable List is prepared as follows: Beginning at the first project (the one with highest priority ranking) at the top of the Comprehensive Priority List and working down the list, a funding line is drawn at the point where the total amount of available DWRLF funds is reached. Those projects that are above the funding line are placed on the Fundable List since these are the projects that are expected to be funded from DWRLF monies available. (Appendix B) The summary is as follows:

| | |
|-----------------------------|------------------------|
| Funds Available for Loans | \$99,554,049 |
| Needs of Systems | <u>\$ 330,059,112</u> |
| Excess (Shortage) Loan Fund | <u>(\$230,505,063)</u> |

The systems on either of the lists described above will be given six months to submit a complete loan application package. The basic components of the complete loan application package include a loan application form, approved environmental review checklist, resolution, site certificate for easement or title to project site(s), agreements for professional services, approved business plan, and an approved System Improvement Plan (SIP) (including an Environmental Impact Document). A project on the Fundable List may be bypassed and removed from consideration during the funding year because of failure to meet all program requirements.

Once one or more systems on the Fundable List have been bypassed, the agency will then turn its attention to those projects existing on the Comprehensive Priority List below the previously drawn funding line. Any system(s) existing on the Comprehensive Priority List below the previously drawn funding line which have submitted a complete loan application will then be advanced up into the Fundable List based

upon their priority order until the available funding is consumed.

Information for listing projects will be accepted by OPH on a continuous basis. However, deadlines for projects in a particular FFY IUP will be established each year. New projects will be ranked and added to the Comprehensive Priority List as they are identified by applicants interested in DWRLF Financing.

Any project that has had no written communication with the Drinking Water Revolving Loan Fund staff for a period of two (2) years and has presented no other evidence of progress toward completion of items that are prerequisites to funding during the three-year period shall be deemed to be a dormant project and may be removed from the DWRLF Comprehensive Priority List.

To maintain an up to date Comprehensive List for public review, the DWRLF keeps a constantly revised list posted on our website at <http://www.dhh.louisiana.gov/offices/?ID=203>.

Emergency Projects and Disadvantaged Community System Procedure

Projects which meet the definition of emergency projects or disadvantaged community systems may be added to the priority list at any time, and if all applicable requirements have been met, they may be funded at any time. To the extent possible, the Louisiana DHH will make financing available from the DWRLF funds which become available through the bypass procedure during the year so that qualifying emergency projects or disadvantaged community systems may receive immediate assistance. Emergency projects or disadvantaged community systems will be funded prior to any projects which have not yet received DWRLF written loan commitments. If

funding for multiple emergency projects or disadvantaged community systems is requested, funding shall be awarded to the smallest requests first, in order that the greatest number of projects/systems may receive assistance.

In accordance with 40 CFR 35.3555(c)(2)(iii) Louisiana DHH will identify any emergency projects funded during the year in its Annual Report and during the annual review.

In accordance with 40 CFR 35.3555(c) (2) Louisiana DHH will notify EPA and the public via an amended IUP when a disadvantaged community system will be funded and DHH will collaborate with EPA staff to obtain approval at that time.

D. Small System Funding

Louisiana will review the Fundable and Comprehensive Lists to determine if at least 15 percent of the projected funding amount will be for public water systems that regularly serve fewer than 10,000 people, as required by the SDWA. Due to various non-controllable time lags, some projects proceed toward loan closing faster than others. Additionally, large projects are usually phased in resulting in multiple loans over multiple

years. LDHH can also limit the amount borrowed by systems exceeding the population requirements when necessary to meet the requirements of the Act. Consequently, these lists will not be adjusted at this time, but constant monitoring of projects proceeding through the loan process will be accomplished to maintain the required 15 percent funding for small systems.

E. Tie Breaking Procedure

When two or more projects other than emergency projects and disadvantaged community system projects score equally under the project priority

systems a tie breaking procedure will be used. The project with the smallest number of existing customers served will receive higher ranking.

F. Bypass Procedure/Readiness to Proceed

The LDHH reserves the right to allow lower priority projects to bypass higher priority projects for funding if, in the opinion of the DWRLF Program Manager, a higher priority project has not taken the necessary steps to expeditiously prepare for funding and is not ready to proceed with construction. Where it becomes evident to the OPH-DWRLF Program Manager that a project on the Fundable List is not proceeding to construction within the specified time during the current funding year, he may remove the project from the Fundable List and return it to the Comprehensive Priority List.

If a project must be by-passed because it has been delayed, this may affect the project's priority ranking in the following year. The LDHH may also, in cases of a public health or environmental emergency, (e.g., source contamination, flood, hurricane, etc.) raise the priority of a project currently on the Comprehensive Priority List above that of a project on the Fundable List.

G. Refinancing Existing Loans

The DWRLF may be used to buy or refinance debt obligations for DWRLF projects. The long-term debt must have been incurred after July 1, 1993 to be eligible for refinancing. Consideration

for these applications will be entertained only after projects addressing public health protection and compliance have been considered.

VII. INTENDED USE PLAN AMENDMENT PROCEDURES

The DWRLF recently went through the process of reviewing Requests for Proposal for a financial advisor to the program. After evaluating and interviewing the candidates, the firm of Public Financial Management (PFM) was chosen by the Louisiana DWRLF, Louisiana DEQ, and Louisiana Public Facilities Authority to provide independent financial advice to the DWRLF program. A contract between the state and PFM is currently being negotiated and part of the contract will be for the purpose of leveraging the program if the need arises in the future. The

DWRLF will keep EPA updated on the status of this situation and provide any amendments to this IUP that are necessary. Revisions to this Intended Use Plan (IUP) that are determined material will require public notice and EPA notification and approval. Revisions to this IUP that are determined not to be material shall be made by DWRLF with notification to EPA or through EPA's required annual reporting.





Attachments

| | | | NEW SET-ASIDES RESERVED | | | | | | SPECIFIED FUNDS | | | | RECLAIMED SPECIFIED FROM AVAILABLE UNSPECIFIED | | | |
|---------------|-----------------|-----------------|----------------------------|------------|--------------|--------------|--------------------|---------------|-----------------|------------|--------------|--------------|---|------------|--------------|--------------|
| GRANT YEAR | GRANT NUMBER | GRANT AMOUNT | 4% ADMIN. | 2% TECH | 10% STATE | 15% LOCAL | TOTAL Grant Yr. | % Reserved | 4% ADMIN. | 2% TECH | 10% STATE | 15% LOCAL | 4% ADMIN. | 2% TECH | 10% STATE | 15% LOCAL |
| | FS99698- | | | | | | | | | | | | | | | |
| 1997 | 01 | 20,420,300 | \$816,812 | 408,406 | 2,042,030 | 2,042,030 | \$5,309,278 | 26.00% | 700,403 | 168,100 | 1,396,523 | 2,042,030 | - | - | - | - |
| 1998 | 02 | 9,949,200 | \$397,968 | 198,984 | 994,920 | - | 1,591,872 | 16.00% | 397,968 | 161,100 | 994,920 | - | - | - | - | - |
| 1999 | 03 | 10,427,700 | \$417,108 | 208,554 | 1,042,770 | 97,684 | 1,766,116 | 16.94% | 415,737 | 161,100 | 968,406 | 97,684 | - | - | - | - |
| 2000 | 04 | 10,837,400 | \$433,496 | 216,748 | 1,083,740 | - | 1,733,984 | 16.00% | 425,511 | 161,100 | 1,083,740 | - | - | - | - | - |
| 2001 | 05 | 18,934,800 | \$757,392 | 378,696 | 1,893,480 | - | 3,029,568 | 16.00% | - | - | - | - | - | - | - | - |
| 2003 | 06 | 8,004,100 | \$320,164 | 160,082 | 800,410 | 11,487 | 1,292,143 | 16.14% | 290,000 | 160,082 | 800,410 | 11,487 | - | 9,918 | 39,590 | - |
| 2004 | 07 | 8,303,100 | \$332,124 | 166,062 | 830,310 | - | 1,328,496 | 16.00% | 332,124 | 166,062 | 830,310 | - | 67,876 | 3,938 | 69,690 | - |
| 2005 | 08 | 8,285,500 | \$331,420 | 165,710 | 828,550 | - | 1,325,680 | 16.00% | 230,000 | 165,710 | 750,000 | - | - | 19,290 | - | - |
| 2006 | 09 | 11,658,600 | \$466,344 | 233,172 | 1,165,860 | - | 1,865,376 | 16.00% | - | 233,172 | 1,165,860 | - | - | 3,490 | 109,140 | - |
| 2007 | 10 | 11,659,000 | \$466,360 | 233,180 | 1,165,900 | - | 1,865,440 | 16.00% | - | 233,180 | - | - | - | 3,482 | - | - |
| 2008 | 11 | 11,540,000 | \$461,600 | 230,800 | 1,154,000 | - | \$1,846,400 | 16.00% | 461,600 | 200,000 | 1,154,000 | - | 38,400 | - | 146,000 | - |
| 2009 | ARRA | 27,626,000 | \$1,105,040 | 552,520 | 2,762,600 | - | \$4,420,160 | 16.00% | 315,000 | - | - | - | - | - | - | - |
| 2009 | TBD | 11,540,000 | 461,600 | 230,800 | 1,154,000 | - | 1,846,400 | 16.00% | 461,600 | - | 1,154,000 | - | 138,400 | - | 146,000 | - |
| Totals | | 169,185,700 | \$6,767,428 | 3,383,714 | 16,918,570 | 2,151,201 | 22,954,353 | | | | | | | | | |

| | | | TOTAL SET-ASIDES SPECIFIED | | | | | | NEW UNSPECIFIED FUNDS* | | | | CUMULATIVE AVAILABLE UNSPECIFIED | | | | |
|---------------|-----------------|-----------------|----------------------------|------------|--------------|--------------|-----------------|----------------|---------------------------|------------|--------------|--------------|-------------------------------------|------------|--------------|--------------|------------|
| GRANT YEAR | GRANT NUMBER | GRANT AMOUNT | 4% ADMIN. | 2% TECH | 10% STATE | 15% LOCAL | TOTAL FOR YR | % Specified | 4% ADMIN. | 2% TECH | 10% STATE | 15% LOCAL | 4% ADMIN. | 2% TECH | 10% STATE | 15% LOCAL | TOTAL |
| | FS99698- | | | | | | | | | | | | | | | | |
| 1997 | 01 | 20,420,300 | 700,403 | 168,100 | 1,396,523 | 2,042,030 | 4,307,056 | 21.09% | 116,409 | 240,306 | 645,507 | - | 116,409 | 240,306 | 645,507 | - | 1,002,222 |
| 1998 | 02 | 9,949,200 | 397,968 | 161,100 | 994,920 | - | 1,553,988 | 15.62% | - | 37,884 | - | - | 116,409 | 278,190 | 645,507 | - | 1,040,106 |
| 1999 | 03 | 10,427,700 | 415,737 | 161,100 | 968,406 | 97,684 | 1,642,927 | 15.76% | 1,371 | 47,454 | 74,364 | - | 117,780 | 325,644 | 719,871 | - | 1,163,295 |
| 2000 | 04 | 10,837,400 | 425,511 | 161,100 | 484,215 | - | 1,070,826 | 9.88% | 7,985 | 55,648 | 599,525 | - | 125,765 | 381,292 | 1,319,396 | - | 1,826,453 |
| 2001 | 05 | 18,934,800 | - | - | - | - | - | 0.00% | 757,392 | 378,696 | 1,893,480 | - | 883,157 | 759,988 | 3,212,876 | - | 4,856,021 |
| 2003 | 06 | 8,004,100 | 290,000 | 170,000 | 840,000 | 11,487 | 1,311,487 | 16.39% | 30,164 | - | - | - | 913,321 | 750,070 | 3,173,286 | - | 4,836,677 |
| 2004 | 07 | 8,303,100 | 400,000 | 170,000 | 900,000 | - | 1,470,000 | 17.70% | - | - | - | - | 845,445 | 746,132 | 3,103,596 | - | 4,695,173 |
| 2005 | 08 | 8,285,500 | 230,000 | 185,000 | 750,000 | - | 1,165,000 | 14.06% | 101,420 | - | 78,550 | - | 946,865 | 726,842 | 3,182,146 | - | 4,855,853 |
| 2006 | 09 | 11,658,600 | - | 236,662 | 1,275,000 | - | 1,511,662 | 12.97% | 466,344 | - | - | - | 1,413,209 | 723,352 | 3,073,006 | - | 5,209,567 |
| 2007 | 10 | 11,659,000 | - | 236,662 | - | - | 236,662 | 2.03% | 466,360 | - | 1,165,900 | - | 1,879,569 | 719,870 | 4,238,906 | - | 6,838,345 |
| 2008 | 11 | 11,540,000 | 500,000 | 200,000 | 1,300,000 | - | 2,000,000 | 17.33% | - | 30,800 | - | - | 1,841,169 | 750,670 | 4,092,906 | - | 6,684,745 |
| 2009 | ARRA | 27,626,000 | 315,000 | - | - | - | 315,000 | - | 790,040 | 552,520 | 2,762,600 | - | 2,631,209 | 1,303,190 | 6,855,506 | - | 10,789,905 |
| 2009 | TBD | 11,540,000 | 600,000 | - | 1,300,000 | - | 1,900,000 | 16.46% | - | 230,800 | - | - | 2,492,809 | 1,533,990 | 6,709,506 | - | 10,736,305 |
| Totals | | 169,185,700 | 4,274,619 | 1,849,724 | 10,209,064 | 2,151,201 | 18,484,608 | | | | | | | | | | |

ATTACHMENT #1 SET-ASIDE TRACKING

ATTACHMENT #2 -SOURCES & USES OF FUNDS

SOURCES OF FUNDS AVAILABLE @ 06/30/09*

| | | |
|-------------------------|--------------------|---------------|
| Federal Grants | \$130,019,700 | |
| State Matching Funds | \$26,003,940 | |
| Repayments-principal | \$15,785,997 | |
| Repayments-interest | \$11,000,000 ** | |
| Interest on Investments | <u>\$1,530,000</u> | |
| Total | | \$184,339,637 |

ANTICIPATED SFY 10 REVENUES

| | | |
|------------------------|------------------|---------------------|
| FFY 09 Federal Grant | 11,540,000 | |
| ARRA Federal Grant | \$27,626,000 | |
| Associated State Match | \$2,308,000 | |
| Repayments-Principal | \$3,873,572 | |
| Repayments-Interest | \$1,500,000 ** | |
| Interest Earnings | <u>\$100,000</u> | |
| Total | | <u>\$46,947,572</u> |

TOTAL SOURCES **\$231,287,209**

LESS COMMITMENTS:

| | | |
|---|--------------|-----------------------------------|
| Set- Asides:(specified) | | |
| Administration | \$3,959,619 | |
| ARRA Administration | \$315,000 | |
| Technical Assistance | \$1,849,724 | |
| State Programs | \$10,209,064 | |
| Local Programs | \$2,151,201 | |
| Total Set-Asides | | \$18,484,608 |
| Retire Bonds | | \$12,500,000 ** |
| Loans closed to date net of write-downs | | <u>\$100,748,552 ¹</u> |
| TOTAL USES | | <u>\$131,733,160</u> |
| AVAILABLE FOR ADDITIONAL LOANS | | <u>\$99,554,049</u> |

*As estimated in May 09

**All interest on outstanding loans is being utilized to retire state match bonds

¹ See attached worksheet

Note: \$99,554,049 is the cumulative amount available for loans.

Attachment 2 depicts the needs of those systems applying for funding to be \$330,059,112

| <u>System Name</u> | <u>Date Loan Closed</u> | <u>Amount Committed</u> | <u>Amount Loaned</u> | <u>Date of Write-down</u> |
|--|-----------------------------|-----------------------------|--------------------------|-------------------------------|
| Town of Church Point | 08/17/99 | \$2,500,000 | \$2,500,000.00 | Jul-02 |
| City of Oakdale | 01/21/00 | \$1,500,000 | \$1,500,000.00 | Sep-02 |
| Ward 2, Water Dist., Livingston Parish | 06/15/00 | \$9,000,000 | \$9,000,000.00 | Dec-02 |
| Town of Many #1 | 12/19/00 | \$1,000,000 | \$998,521.68 | Jan-08 |
| Town of Many #2 | 12/19/00 | \$1,100,000 | \$1,075,319.77 | Jan-08 |
| Town of Many #3 | 12/19/00 | \$1,500,000 | \$1,470,191.67 | Jan-08 |
| City of Shreveport #1 | 11/08/01 | \$7,000,000 | \$7,000,000.00 | May-07 |
| City of Shreveport #2 | 11/08/01 | \$7,000,000 | \$7,000,000.00 | May-07 |
| City of Shreveport #3 | 12/28/01 | \$5,540,000 | \$5,540,000.00 | May-07 |
| Town of Baldwin | 08/28/01 | \$1,250,000 | \$1,249,626.75 | Aug-03 |
| West Winnsboro | 09/28/01 | \$747,100 | \$648,093.00 | Mar-04 |
| DeSoto Parish WWD #1 | 02/19/02 | \$2,350,000 | \$2,350,000.00 | Sep-06 |
| Village of Quitman | 05/23/02 | \$480,000 | \$480,000.00 | Dec-06 |
| Coyell Community Water System | 06/27/02 | \$948,600 | \$948,600.00 | Jun-05 |
| Culbertson Water System, Inc. | 06/27/02 | \$669,000 | \$598,225.75 | Jan-05 |
| City of Natchitoches | 08/15/02 | \$3,500,000 | \$3,500,000.00 | Dec-06 |
| Ascension Water Co., Inc. | 12/22/03 | \$6,000,000 | \$6,000,000.00 | Dec-06 |
| City of Westlake | 03/27/03 | \$3,750,000 | \$3,240,906.34 | May-08 |
| Lafayette Waterworks Dist. North | 06/03/04 | \$2,800,000 | \$2,800,000.00 | |
| New Iberia - Louisiana Water Co. | 11/30/04 | \$6,000,000 | \$6,000,000.00 | May-08 |
| Ward 2, Water Dist., Livingston Parish | 07/12/05 | \$6,000,000 | \$6,000,000.00 | |
| City of Monroe | 06/28/06 | \$3,000,000 | \$3,000,000.00 | May-08 |
| Ascension Water Co., Inc. #2 | 12/19/06 | \$5,000,000 | \$5,000,000.00 | |
| New Iberia - Louisiana Water Co. #2 | 12/19/06 | \$3,500,000 | \$3,500,000.00 | |
| Savoy Swords Water System, Inc. | 12/19/06 | \$1,000,000 | \$1,000,000.00 | |
| French Settlement | 05/01/07 | \$1,000,000 | \$766,067.00 | Apr-09 |
| City of Springhill | 06/15/07 | \$7,500,000 | \$7,500,000.00 | |
| Town of Slaughter | 11/28/2007 | \$1,355,000 | \$1,355,000.00 | Nov-07 |
| Point Wilhite | 2/18/2008 | \$925,000 | \$925,000.00 | |
| West Winnsboro #2 | 6/6/2008 | \$500,000 | \$500,000 | |
| United Water System | 6/6/2008 | \$400,000 | \$400,000 | |
| Buckeye Water District #50 | 6/30/2008 | \$500,000 | \$500,000 | |
| Town of Slaughter #2 | 6/30/2008 | \$842,400 | \$842,400 | |
| Town of Slaughter #3 | 6/30/2008 | \$157,600 | \$157,600 | |
| Natchitoches WWD #2 | 12/23/2008 | \$3,500,000 | \$3,500,000 | |
| Natchitoches WWD #2 | 12/23/2008 | \$1,003,000 | \$1,003,000 | |
| Coyell Community Water #2 | 3/12/2009 | \$900,000 | \$900,000 | |
| | | \$101,717,700 | \$100,748,551.96 | |

WORKSHEET
LOANS CLOSED

ATTACHMENT #3

PUBLIC HEARING OF 7/20/09 10am

DHH Building at 628 North 4th Street, Room 372, Baton Rouge, LA

Good Morning. My name is Joel McKenzie and I am the Capacity Coordinator for the Drinking Water Revolving Loan Fund Program. The Program falls under the Center for Environmental Health Services of the Office of Public Health, Department of Health and Hospitals. Each time we apply for a Capitalization Grant from the United States Environmental Protection Agency, we are required to hold a public hearing giving the public the opportunity to make any comments regarding the State's proposed uses of the funds being applied for. This public hearing is being conducted in conjunction with our application to EPA for the Federal Fiscal Year 2009 Capitalization Grant. The document that describes the proposed uses of the grant funds, the Intended Use Plan, has been available in draft form for public inspection for 30 days at various locations around the state and on our website. I ask that each of you present sign the roll sheet to document to EPA and other interested parties your attendance here today.

Mr. T. Jay Ray, Program Manager, of the Drinking Water Revolving Loan Fund Program will now give a brief synopsis of the Intended Use Plan.

Do we have any comments or questions from the floor?

The comment period will remain open until close of business today or 4:30 CT. Any comments, questions, or lack thereof will be documented. This documentation, the roll sheet, and the proof of advertisement will be included in the final Intended Use Plan submitted to EPA as part of the formal application for the Capitalization Grant discussed today.

There being no further discussion, this public hearing is closed.

Synopsis of the Intended Use Plan

As stated by Joel, the Intended Use Plan includes proposed uses for the FFY09 Capitalization Grant. The FFY09 Grant amount available to Louisiana is \$11,540,000. The State is required to provide a 20% match to obtain these grant funds and notify EPA of their method of providing this match. The State of Louisiana intends to negotiate another bond sale for the required match for this grant as well as any future grants that the State Legislature does not provide match for. The amount of state match required for the FFY09 Grant is \$2,308,000. The total amount of funds available to the program from this grant, including Federal and State money, is \$13,848,000.

In its Draft Intended Use Plan, Louisiana proposes to utilize \$11,948,000 for making loans to Public Drinking Water Systems. Up to 31% of the funds are allowed to be set-aside for other uses; Louisiana intends to reserve these funds which means that they can be drawn from future grants received from EPA. However, 16.46% or \$1,900,000 has been specified for set-aside use from the FFY09 Grant.

Louisiana previously solicited pre-applications from public water systems interested in obtaining loans from the program. These projects were ranked based upon their public health need, those with the most need at the top of the list. Appendix B of the IUP lists those projects that can be funded utilizing the funds available for loans. The draft has been amended to correct typographical and mathematical errors discovered during the 30-day public inspection period.

The Fundable list does not depict only projects that will be funded, because if a system on this list does not proceed through the loan process, it can be by-passed so that the funds are available to a system further down on the list that is proceeding appropriately.

ATTACHMENT #4

LOUISIANA DWRLF PROJECT PRIORITY CRITERIA WORKSHEET

| | | |
|------------------------------------|-------------------------------------|---|
| Water System: _____ | | PWSID: _____ |
| Owner Name: _____ | | Parish: _____ |
| Person Completing Worksheet: _____ | | Date: _____ |
| Water Supply Source: | Water Supply Type: | Organizational Structure: |
| <input type="radio"/> Ground | <input type="radio"/> Community | <input type="radio"/> Governmental Entity |
| <input type="radio"/> Surface | <input type="radio"/> Non-Community | <input type="radio"/> Private for Profit |
| <input type="radio"/> Purchased | <input type="radio"/> Non-Transient | <input type="radio"/> Private Non-Profit |
| <input type="radio"/> Combination | Non-Community | |
| Describe: _____ | | Population Served: _____ |

ADMINISTRATIVE CRITERIA

Violations (SDWA Violations in Last 8 Quarters)

| | | | |
|---|-------|---------------|-------|
| Number of Total Coliform MCL Violations | _____ | x 2 pt each = | _____ |
| Number of Acute Coliform MCL Violations | _____ | x 6 pt each = | _____ |
| Number of IESWTR Violations (Turbidity, C.T.) | _____ | x 6 pt each = | _____ |
| Number of Chemical MCL Violations (i.e. THM, HAA5) | _____ | x 2 pt each = | _____ |
| Number of Acute Chemical MCL Violations (i.e. nitrates, nitrites) | _____ | x 6 pt each = | _____ |
| Number of Secondary MCL Exceedances (i.e. iron, taste, odor) | _____ | x 1 pt each = | _____ |

Consolidation (population absorbed from other PWSs)

Identify the size & number of other community and non community systems to be tied into this system

| | | | | |
|--------------------------------|----------------|-------|---------------|-------|
| Population greater than 10,000 | No. of Systems | _____ | x 4 pt each = | _____ |
| Population of 3,301 to 10,000 | No. of Systems | _____ | x 3 pt each = | _____ |
| Population of 100 to 3,300 | No. of Systems | _____ | x 2 pt each = | _____ |
| Population less than 100 | No. of Systems | _____ | x 1 pt each = | _____ |

Affordability

| | | | | |
|---|---------------------------|--------------------------|---------------|-------|
| Service area lies within a census tract where the Median Household Income is 25% or more below the State average. | <input type="radio"/> Yes | <input type="radio"/> No | If Yes, 4 pts | _____ |
|---|---------------------------|--------------------------|---------------|-------|

Other

| | | |
|---|-------|-------|
| New multi-year, multi-phase project or project has received prior DWRLF funding | 10 pt | _____ |
| Project has funding commitment from another source | 5 pt | _____ |
| Proposal includes work to address pending federal/state rules and regulations (i.e. Arsenic rule, LT1ESWT rule, Filter Backwash Recycling rule) | 5 pt | _____ |
| Identified problems may be resolved by routine maintenance | -5 pt | _____ |

| | |
|-----------------------------|-------|
| Total Points on this Page = | _____ |
| Total Points from Page #2 = | _____ |

LOUISIANA DWRLF PROJECT PRIORITY CRITERIA WORKSHEET

Page 2

| | |
|------------------------------------|---------------|
| Water System: _____ | PWSID: _____ |
| Owner Name: _____ | Parish: _____ |
| Person Completing Worksheet: _____ | Date: _____ |

PHYSICAL CRITERIA

For each YES answer to the questions below, provide the appropriate number of points in the blank.

Physical Conditions

| System Condition | Condition to be Addressed | Pts | |
|--|--|-----|--|
| Pressure less than 35 psi (but greater than 15 psi) | <input type="radio"/> Yes <input type="radio"/> No | 1 | |
| Leaks/Water Loss of 15% to 25% of production | <input type="radio"/> Yes <input type="radio"/> No | 1 | |
| Leaks/Water Loss greater than 25% of production | <input type="radio"/> Yes <input type="radio"/> No | 2 | |
| Dead Ends will be eliminated | <input type="radio"/> Yes <input type="radio"/> No | 2 | |
| Asbestos Cement Pipe or Lead Pipe (replacement) | <input type="radio"/> Yes <input type="radio"/> No | 2 | |
| No disinfection-PWS has a variance from mandatory disinfection | <input type="radio"/> Yes <input type="radio"/> No | 3 | |
| Production less than 85% of potable (non-fire) demand | <input type="radio"/> Yes <input type="radio"/> No | 3 | |
| Storage less than 2 day potable demand | <input type="radio"/> Yes <input type="radio"/> No | 2 | |
| No meters or non-functioning meters | <input type="radio"/> Yes <input type="radio"/> No | 5 | |
| Source capacity inadequate | <input type="radio"/> Yes <input type="radio"/> No | 2 | |
| Industrial activity, Agricultural activity, Oil/Gas Spills, etc. are within source recharge area | <input type="radio"/> Yes <input type="radio"/> No | 3 | |
| Directly impacted by point source discharge | <input type="radio"/> Yes <input type="radio"/> No | 2 | |
| Unprotected Watershed | <input type="radio"/> Yes <input type="radio"/> No | 2 | |
| Will serve area not on community sewerage | <input type="radio"/> Yes <input type="radio"/> No | 2 | |
| Proposed system will replace private wells | <input type="radio"/> Yes <input type="radio"/> No | 2 | |
| Project includes system redundancy | <input type="radio"/> Yes <input type="radio"/> No | 2 | |
| Components exceeding design life to be replaced | <input type="radio"/> Yes <input type="radio"/> No | 4 | |

NOTE: None of the above physical conditions are violations of the Louisiana Administrative Code, Title 51, Chapter XXII shown below.

Sanitary Code Violations

| Louisiana Administrative Code Section Violated (Formerly Chapter 12 of the LA State Sanitary Code) | Violation to be Corrected | Pts | |
|---|--|-----|--|
| LAC 51:XII.309 (formerly 12:003-2) Plant Supervision and Control | <input type="radio"/> Yes <input type="radio"/> No | 1 | |
| LAC 51:XII.327 (formerly 12:008-1 thru -17) Ground Water Supplies | <input type="radio"/> Yes <input type="radio"/> No | 1 | |
| LAC 51:XII.331 (formerly 12:010) Well Abandonment | <input type="radio"/> Yes <input type="radio"/> No | 1 | |
| LAC 51:XII.333 (formerly 12:011-1 thru -5) Reservoir Sanitation | <input type="radio"/> Yes <input type="radio"/> No | 1 | |
| LAC 51:XII.335 (formerly 12:012-1 thru -4) Distribution | <input type="radio"/> Yes <input type="radio"/> No | 1 | |
| LAC 51:XII.337 (formerly 12:013-1 thru -4) Storage | <input type="radio"/> Yes <input type="radio"/> No | 1 | |
| LAC 51:XII.355 (formerly 12:021-1) Mandatory Disinfection | <input type="radio"/> Yes <input type="radio"/> No | 1 | |

Total Points on this Page =

ATTACHMENT 5

SET-ASIDES SPENT TO DATE (02/28/09 unaudited)

| Administration Set-Aside | | | | | | |
|---------------------------------|------------|--------------------|--------------------|-----------------------------|--------------------|------------------------|
| Grant Year | Grant # | Reserved | Specified | Unspecified (cumulative) | Expended | Specified Available |
| 1997 | FS-9969801 | \$816,812 | \$700,403 | \$116,409 | \$700,403 | \$0 |
| 1998 | FS-9969802 | \$397,968 | \$397,968 | \$116,409 | \$397,968 | \$0 |
| 1999 | FS-9969803 | \$417,108 | \$415,737 | \$117,780 | \$415,737 | \$0 |
| 2000 | FS-9969804 | \$433,496 | \$425,511 | \$125,765 | \$425,511 | \$0 |
| 2001 & 2002 | FS-9969805 | \$757,392 | \$0 | \$883,157 | \$0 | \$0 |
| 2003 | FS-9969806 | \$320,164 | \$290,000 | \$913,321 | \$290,000 | \$0 |
| 2004 | FS-9969807 | \$332,124 | \$400,000 | \$845,445 | \$400,000 | \$0 |
| 2005 | FS-9969808 | \$331,420 | \$230,000 | \$946,865 | \$230,000 | \$0 |
| 2006 | FS-9969809 | \$466,344 | \$0 | \$1,413,209 | \$0 | \$0 |
| 2007 | FS-9969810 | \$466,360 | \$0 | \$1,879,569 | \$0 | \$0 |
| 2008 | FS-9969811 | \$461,600 | \$500,000 | \$1,841,169 | \$249,503 | \$250,497 |
| 2009 | ARRA | \$1,105,040 | \$315,000 | \$2,631,209 | | \$315,000 |
| Totals | | \$6,305,828 | \$3,674,619 | | \$3,109,122 | \$565,497 |

Small System Technical Assistance Set-Aside (SSTAS)

| Grant Year | Grant # | Reserved | Specified | Unspecified (cumulative) | Expended | Specified Available |
|---------------|------------|--------------------|--------------------|-----------------------------|--------------------|------------------------|
| 1997 | FS-9969801 | \$408,406 | \$168,100 | \$240,306 | \$168,100 | \$0 |
| 1998 | FS-9969802 | \$198,984 | \$161,100 | \$278,190 | \$161,100 | \$0 |
| 1999 | FS-9969803 | \$208,554 | \$161,100 | \$325,644 | \$161,100 | \$0 |
| 2000 | FS-9969804 | \$216,748 | \$161,100 | \$381,292 | \$161,100 | \$0 |
| 2001 & 2002 | FS-9969805 | \$378,696 | \$0 | \$759,988 | \$0 | \$0 |
| 2003 | FS-9969806 | \$160,082 | \$170,000 | \$750,070 | \$170,000 | \$0 |
| 2004 | FS-9969807 | \$166,062 | \$170,000 | \$746,132 | \$170,000 | \$0 |
| 2005 | FS-9969808 | \$165,710 | \$185,000 | \$726,842 | \$185,000 | \$0 |
| 2006 | FS-9969809 | \$233,172 | \$236,662 | \$723,352 | \$236,662 | \$0 |
| 2007 | FS-9969810 | \$233,180 | \$236,662 | \$719,870 | \$209,318 | \$27,344 |
| 2008 | FS-9969811 | \$230,800 | \$200,000 | \$750,670 | 0 | \$200,000 |
| 2009 | ARRA | \$552,520 | \$0 | \$1,303,190 | 0 | \$0 |
| Totals | | \$3,152,914 | \$1,849,724 | | \$1,622,380 | \$227,344 |

State Programs Set-Aside

| Grant Year | Grant # | Reserved | Specified | Unspecified (cumulative) | Expended | Specified Available |
|---------------|------------|---------------------|--------------------|-----------------------------|--------------------|------------------------|
| 1997 | FS-9969801 | \$2,042,030 | \$1,396,523 | \$645,507 | \$1,396,523 | \$0 |
| 1998 | FS-9969802 | \$994,920 | \$994,920 | \$645,507 | \$994,920 | \$0 |
| 1999 | FS-9969803 | \$1,042,770 | \$968,406 | \$719,871 | \$968,406 | \$0 |
| 2000 | FS-9969804 | \$1,083,740 | \$484,215 | \$1,319,396 | \$484,215 | \$0 |
| 2001 & 2002 | FS-9969805 | \$1,893,480 | \$0 | \$3,212,876 | \$0 | \$0 |
| 2003 | FS-9969806 | \$800,410 | \$840,000 | \$3,173,286 | \$840,000 | \$0 |
| 2004 | FS-9969807 | \$830,310 | \$900,000 | \$3,103,596 | \$900,000 | \$0 |
| 2005 | FS-9969808 | \$828,550 | \$750,000 | \$3,182,146 | \$750,000 | \$0 |
| 2006 | FS-9969809 | \$1,165,860 | \$1,275,000 | \$3,073,006 | \$1,274,171 | \$829 |
| 2007 | FS-9969810 | \$1,165,900 | \$0 | \$4,238,906 | \$0 | \$0 |
| 2008 | FS-9969811 | \$1,154,000 | \$1,300,000 | \$4,292,906 | \$0 | \$1,300,000 |
| 2009 | ARRA | \$2,762,600 | \$0 | \$6,855,506 | \$0 | \$0 |
| Totals | | \$15,764,570 | \$8,909,064 | | \$7,608,235 | \$1,300,829 |

Local Programs Set-Aside

| Grant Year | Grant # | Reserved | Specified | Unspecified (cumulative) | Expended | Specified Available |
|---------------|------------|--------------------|--------------------|-----------------------------|--------------------|------------------------|
| 1997 | FS-9969801 | \$2,042,030 | \$2,042,030 | N/A | \$2,042,030 | \$0 |
| 1998 | FS-9969802 | \$0 | \$0 | N/A | \$0 | \$0 |
| 1999 | FS-9969803 | \$97,684 | \$97,684 | N/A | \$97,684 | \$0 |
| 2000 | FS-9969804 | \$0 | \$0 | N/A | \$0 | \$0 |
| 2001 & 2002 | FS-9969805 | \$0 | \$0 | N/A | \$0 | \$0 |
| 2003 | FS-9969806 | \$11,487 | \$11,487 | N/A | \$11,487 | \$0 |
| 2004 | FS-9969807 | \$0 | \$0 | N/A | \$0 | \$0 |
| 2005 | FS-9969808 | \$0 | \$0 | N/A | \$0 | \$0 |
| 2006 | FS-9969809 | \$0 | \$0 | N/A | | |
| Totals | | \$2,151,201 | \$2,151,201 | | \$2,151,201 | \$0 |